The Center for Hospitality Research
Hospitality Leadership Through Learning

Cornell Hospitality Report

Compendium 2007

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Cornell University
School of Hotel Administration

Compendium 2007

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Why Discounting Still Doesn't Work: A Hotel Pricing Update

by Linda Canina and Cathy A. Enz

This report presents an update and an extension of a study issued in a previous *Cornell Hospitality Report* in which we found that discounting relative to the competitive set increases occupancy, but hotels make more money when they resist the temptation to discount to fill rooms.

As explained in the first study, data from 2001 through 2003 showed that when a given hotel discounted its room rates to a greater degree than did its competitive set, the result was decreased RevPAR compared to that competition, even though relative occupancy increased. Conversely, those with higher prices relative to their competitive set had lower occupancy and higher RevPAR. The dynamics between price and occupancy remained stable across market price segments, but the degree to which higher relative prices affected relative occupancy varied by market segment.

The question this report addresses is whether 2001 through 2003 was an unusual period—given that those years saw the disaster of 9/11, a recession, and hurricane damage in Florida and elsewhere.

In this study, the previous years' results continue to hold up in 2004, clearly a good year for the hotel industry. The same pattern emerges when we categorize the data by location or by major metropolitan markets in addition to market price segment. Specifically, hotels that discount relative to their competitive set have higher occupancy and lower RevPAR than do their competitors. On the other hand, hotels that charge a premium relative to their competitive set have lower occupancy and higher RevPAR than their competitors do. In the overall sample, hotels that charged a relative premium of at least 2 percent achieved lower occupancy than that of their competitors. While hotels that discounted at the most 2 percent or charged a relative premium have higher RevPAR than their competitors recorded.

Revenue Management in U.S. Hotels:

2001–2005

Enz

by Linda Canina and Cathy A. Enz

Revenue management is executed more closely on average by hotels that price above their competitive set than by those that price below their competitive set. This observation holds true in each year from 2001 through 2005, even as the economic situation of the industry first deteriorated and then improved markedly. There are no differences in the results during economic downturns or rebounds in the lodging industry. However, the degree of revenue management as defined by the correlation between average daily rate (ADR) and occupancy varies across market price segments. In addition, for each hotel price segment the degree of revenue management is greater for those hotels that perform better than their competitors. This provides empirical evidence that revenue management strategies are more prevalent in higher performing hotels.

Cornell Hospitality Report, Volume 6, No. 8

Bill Carroll, Judy Siguaw

Carroll

An Examination of Internet Intermediaries and Hotel Loyalty Programs:

How Will Guests Get their Points?

by Bill Carroll and Judy A. Siguaw

Competitive forces have made loyalty programs a key point of contention between hotel chains and the online intermediaries that sell hotel rooms using a merchant model. Hotel companies would prefer not to award points for the discounted rooms that they sell through the internet agencies. The intermediaries, on the other hand, would like to strengthen their position by offering hotel loyalty-program points. Ironically, although loyalty programs are costly for chains to operate, the cost of giving points is low for hotels, and the points have little intrinsic value for guests. Moreover, loyalty points are being used increasingly as a commodity that can be exchanged for goods or services not related to the hotel companies that issued them. Beyond that, an analysis of the game theory relating to the hotels' position suggests that hotels will eventually want to award points for internet-merchant sales, if only to minimize losses if a competitor does so. Finally, although one internet intermediary has experimented with setting up its own loyalty-point program, most seem to want to avoid taking on that expense.

Siguaw

Cornell Hospitality Report, Volume 6, No. 4

A Comprehensive Guide to Merchandising Bed and Breakfast Inns

by William Carroll, Betsy Gomez, Anna Huen, Pamela Lanier, and Iris Lui

The many methods for merchandising a bed and breakfast inn embrace both traditional means and the growing areas available online. The key to all tactics is to show would-be guests how the B&B matches their lodging preferences. Getting that message to the proper guests is essential regardless of the approach. Despite the growing popularity of the internet, nearly three-quarters of B&B guests still prefer to telephone the innkeeper for a reservation. In many cases, however, such calls are influenced by an inn's internet presence. Traditional means for promoting a B&B are guidebooks and local associations' publications. The inn can also gain notice if it attracts the attention of travel journalists. The inn can present itself as a venue for special events, notably, weddings and family dinners. In any case, the inn should participate in community events and be seen as a participant in the local business community. If an inn is large enough it might want to deal with tour wholesalers or incentive travel, but that is an entirely different world from the typical B&B guest.

One traditional method of spurring reservations is to send a direct-mail piece, preferably to the inn's own list of previous guests or to a prequalified list of people who like to stay in B&Bs.

The internet offers a more direct way to interact with would-be guests and to gain reservations, but it also has pitfalls—the most common being that the inn can be lost in the huge volume of websites. Thus, an innkeeper may wish to create a website with keywords that search engines will notice in conjunction with queries about lodging in the area. A well-designed website is essential, and it must include a way for the guest to make a request for rates and availability. That request may be in the form of a web-based booking engine or an email link. Innkeepers can use email to send messages about upcoming promotions to a list of previous guests or those who have inquired about the inn—or purchase a third-party list for this purpose. A most important issue relating to email is to avoid being seen as a spammer. Moreover, the innkeeper must be in a position to respond to guests' email requests in a prompt and personal manner.

In the midst of all this, the innkeeper must find time to operate the property. Thus, engaging outside professional help for many of the merchandising tasks may be appropriate, depending on the inn's size and situation.

Cornell Hospitality Tools, No. 8

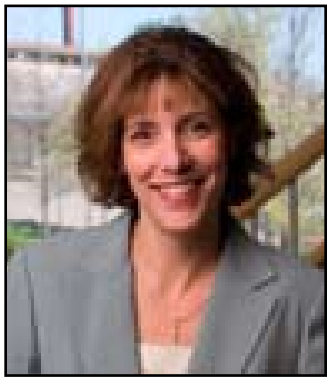
Enz

Intellectual Capital:

A Key Driver of Hotel Performance

by Cathy A. Enz, Linda Canina, and Kate Walsh

Investments in various forms of intellectual capital improve operating performance, according to the results of a study of 563 United States hotels. Using the hotels' operating income as a measure of profitability, the study found that investments in certain forms of intellectual capital have a greater impact on profitability than others do. Controlling for the market value of the physical assets, occupancy, and the cost of living, the study analyzed the influence of expenditures on the following two forms of external intellectual capital: brand and operating company; and the following three forms of property-level human capital: service employees, support employees, and professional employees.



Walsh

Although the sample was divided into full-service hotels and limited-service properties, the results for both segments were similar for most forms of intellectual capital. First, the greater the expense incurred—or investment made—on an operating company and brand affiliation, the higher the profitability for both limited-service and full-service hotels. In addition, when either type of hotel spends more money on its service employees it realizes higher profitability. However, regardless of whether the hotel is full-service or limited-service, investing in professional employees did not significantly influence profitability. Not only that but expanded expenditures in support employees had a negative influence on profitability for limited-service hotels and no influence for full-service properties.

Canina

Development and Use of a Web-based Tool to Measure the Costs of Employee Turnover:

Preliminary Findings

Hinkin

by Timothy R. Hinkin and J. Bruce Tracey

Employee turnover continues to be one of the most vexing and costly challenges in the hospitality industry. Despite the obvious expense of turnover, few studies have attempted to account for the diverse costs associated with replacing staff. Rather than estimate the cost of turnover, the web-based tool described in this report compiles the specific costs of turnover in the following five categories: pre-departure costs, recruiting costs, selection costs, orientation and training costs, and the cost of lost productivity.

Tracey

Looking specifically at turnover among front-desk associates, recruiting constitutes a substantial portion of turnover costs. The greatest expense, however, that of lost front-desk productivity, may also be the most overlooked. A case study that examines one hotel company's fast-track management-training program for college graduates found that training costs are a substantial portion of the hiring process—an expense that is magnified by a 25-percent attrition of trainees. Both with the web-based data and the case study, the effects of turnover on existing employees and supervisors appear to be given shorter shrift than they deserve. Further participants in the web-based study would be instrumental in solidifying the costs of turnover for the lodging industry.

Cornell Hospitality Report, Volume 6, No. 6

Kimes

Palapa Politics

by Sheryl E. Kimes

A case study of the "Caribbean Palms Resort" examines the difficulties that the property has faced in attempting to apportion guests' use of beachside palapas, desirable oceanfront shelters. The resort has tried several approaches to guest use of the palapas. One year, it charged top dollar for the use of the palapas closest to the sea while charging nothing for the unreserved palapas further up the beach. Although renting the palapas worked well enough, the first-come, first-served palapas inevitably invited altercations among guests. Another year, it charged a rental for all palapas, but received complaints about rental charges in low season. Finally, it instituted a day-ahead reservation policy, but that meant early morning queues for guests who were presumably on vacation. Worse, guests were unhappy that the palapa policies kept changing.

The Perceived Fairness of Waitlist-management Techniques for Restaurants

By Kelly A. McGuire and Sheryl E. Kimes

Making changes to the common expectation that restaurant guests will be seated on a first-come, first-served basis is possible, but must be handled carefully. This study tests four common revenue-enhancing techniques, namely, matching parties to table size, allowing guests to call ahead to be placed in the queue, taking reservations for large parties, and giving priority seating to VIPs. Looking at scenarios involving each of these techniques, a sample of 268 respondents viewed some of those manipulations as being reasonably fair, while others must either be disguised or avoided. Matching waiting parties to available tables by size was generally viewed as fair, provided the practice was explained in advance. Likewise, calling ahead to be put on that day's waitlist garnered reasonably high marks for fairness. On the other hand, taking reservations only for large parties was controversial. Many respondents thought if reservations are taken for any party size they should be taken for all parties. Seating VIPs ahead of other patrons was viewed as essentially unfair.

Cornell Hotel and Restaurant Administration Quarterly, Volume 47, No. 2

Kwortnik

Carnival Cruise Lines:

Burnishing the Brand

by Robert J. Kwortnik, Jr.

After emerging as the power brand in the cruise industry, in 2005 Carnival Cruise Lines faced the challenge of refining its brand message to attract a more sophisticated clientele without damaging the established meaning of the brand. Since the launch of its first ship in 1972, Carnival had redefined and broadened the appeal of a cruise vacation—primarily by focusing on its "Fun Ships" and a more casual cruise experience. Even as Carnival upgraded its fleet and service, competitors launched their own product and service innovations—even attempting to usurp Carnival's fun-at-sea message by restating what constitutes fun. Building on its considerable brand equity, Carnival has gradually expanded its own definition of fun at sea. The dark cloud hovering over all cruise lines' efforts is commoditization—the perception that customers see a decreasing distinction between different cruise lines and the cruise experience. Carnival sought to offset that perception with new ships, an increasingly diverse array of activities, more amenities, and a polished brand message supported by the largest media buy in the company's history. Analysis of the case argues, however, that some of Carnival's branding initiatives risk conflating the brand meaning, making the Fun Ships less differentiated in the seascape.

Cornell Hotel and Restaurant Administration Quarterly, Volume 47, No. 3

Connecting with the Culture:

A Case Study in Sustainable Tourism

by Ethan Hawkes and Robert J. Kwortnik Jr.

Based in a small town in Jamaica,"VillageLife Tourism"provides a potential model for sustainable tourism. Though the names and certain details are disguised, the case of VillageLife is particularly interesting in view of the dominance in Jamaica of a different model, that of the all-inclusive resort operating in a fenced compound. Although it has hosted many satisfied guests and is well accepted in the community, the VillageLife enterprise, which includes its "Okra Inn," has not grown substantially. An analysis of VillageLife's situation finds that it has not used effective public relations or marketing to promote its distinctive position. VillageLife could also benefit from building partnerships with travel agencies and other tourism distributors. In addition,VillageLife might well seek to work with its nominal competitors, the all-inclusive resorts, to offer visitors to Jamaica a more complete experience that includes not only sun and sand, but a direct connection with the local residents and culture.

Cornell Hotel and Restaurant Administration Quarterly, Volume 47, No. 4

Lynn

Race Differences in Tipping:

Questions and Answers for the Restaurant Industry

by Michael Lynn

A widespread perception in the restaurant industry is that Black patrons tip less than do White customers. As a result, many waiters and waitresses dislike waiting on tables of Black parties, resist being assigned to serve Blacks, deliver inferior service to those black customers whom they must wait on, and refuse to work in restaurants with a large Black clientele. In turn, these attitudes and behavior reduce Blacks' patronage of table-service restaurants, contribute to discrimination lawsuits against restaurants, increase costs and reduce profits of restaurants with large Black clienteles, and deter restaurant chains from opening units in predominately Black communities.

This report draws on the available research to pose and answer questions about race differences in tipping and about what servers, restaurant managers, industry organizations, and restaurant chains could do about those differences. The available research indicates the following:

- Tips from Blacks are, on average, lower than those from Whites;
- Black-White differences in restaurant tipping are not caused solely by race differences in socio-economic status;
- Black-White differences in restaurant tipping are evident among the middle-class as well as the lower-class patrons;
- Black-White differences in restaurant tipping do not disappear when both groups get comparable service;
- Blacks tip less than Whites even when the server is Black;
- Blacks are much less familiar with the 15- to 20-percent restaurant tipping norm than are Whites;
- Blacks tip less than do Whites in many (but not all) other service contexts; and
- Asian-White and Hispanic-White differences in tipping are smaller, less robust, and have drawn less attention than Black-White differences in tipping.

The research findings suggest that restaurant managers, executives, and the industry as a whole should try to educate all of their customers about restaurant tipping norms. Such an educational campaign could involve informational brochures in restaurants, as well as an industry-wide effort promoted by trade associations.

Cornell Hospitality Report, Volume 6, No. 1

Tipping and Its Alternatives:

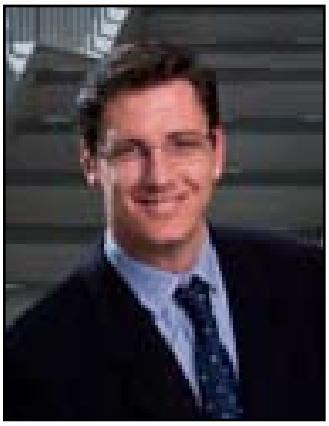
A Comparison of Tipping, Service Charges, and Service-Inclusive Pricing

by Michael Lynn

Hospitality executives and managers can compensate employees through voluntary tipping, service charges, or service-inclusive pricing. Rather than take a default position or simply follow local practices, managers should carefully weigh the pros and cons of each policy and should knowingly choose the approach that best suits their circumstances. This Center for Hospitality Research Report is design to facilitate such thoughtful decisions about how to compensate employees. It outlines the business issues surrounding tipping and its alternatives, summarizes what we know about those issues, and identifies questions in need of further research.

The principal benefits to hospitality firms of voluntary tipping are that it lowers nominal prices, increases profits through price discrimination, motivates up-selling and service, and lowers FICA tax payments. However, tipping also motivates discrimination in service delivery, gives servers surplus income that could go the firms' bottom line, increases the risk of income-tax audits, and opens firms up to adverse-impact lawsuits. The alternatives to tipping (i.e., service charges and service-inclusive pricing) have their own sets of costs and benefits. Ultimately, no one policy is always necessarily the best. Therefore, the report presents the pros and cons of each policy with respect to nine different considerations.

Cornell Hospitality Report, Volume 6, No. 5



Piccoli

The Strategic Value of Information:

A Manager's Guide to Profiting from Information Systems

by Gabriele Piccoli and Paolo Torchio

The unprecedented volume of data captured by modern hospitality firms can be used to create economic value. This report provides a methodology to help hospitality managers identify and prioritize possible data-driven initiatives.

This process starts with identifying the transaction-processing systems in the organization and inventorying the data they capture and store. After envisioning possible initiatives that employ these data, the methodology suggests a way to prioritize projects to ensure that only those offering positive returns are implemented.

The methodology presented here allows managers to make such a cost–benefit assessment for any data-driven initiative. The analysis categorizes each initiative in one of the following four possibilities, depending on data availability and project potential:

(1) *Imperatives*: Initiatives that have considerable upside potential and rely on readily available information;

(2) *Quick Wins*: Initiatives that do not have vast upside potential but still can be readily implemented based on immediately available information;

(3) *Trade-Offs*: Initiatives that have great upside potential but rely on information that is not readily available; and

(4) *Losing Causes*: Initiatives that show neither upside potential nor offer readily available information.

A case study from a real property illustrates how a hotel could use the methodology first to devise possible data-driven initiatives and then to determine which of those proposals are most worth pursuing.

Cornell Hospitality Report, Volume 6, No. 7

A Picture Is Worth a Thousand Words:

Using Photo-Elicitation to Solicit Hotel Guest Feedback

Robson

by Madeleine E. Pullman and Stephani Robson

Although written surveys have their place in determining how guests view a particular hotel, a graphic-based approach gives them a chance to show rather than just tell hoteliers what is important. One such graphic technique is photo-elicitation, which encourages guests to use images and descriptions to respond to a hotel's design and amenities. In a photo-elicitation assessment, the hotelier simply gives participating guests the use of a camera to photograph whatever catches their eye as being meaningful. Then the guest and hotelier can review the sets of prints (or internet albums) for an explanation of why the guest considers a particular image to be important.

In a test at Cornell's Statler Hotel, the 40 guests who participated seemed to be enthusiastic in recording their likes and dislikes. For this pilot study, the researchers handed out one-time-use film cameras and then interviewed the participants to learn more about why they took each photo. The disadvantages of this procedure were the relatively high cost of the cameras and processing and interview time. Using digital cameras and internet photo albums might make for a more economical approach. With their photos, guests pointed out such problems as an armoire door that refused to stay open and a bathroom telephone that was badly placed. On the other hand, participants were delighted with the hotel's beautiful view of central campus and its thoughtful placement of home-like furniture in guest rooms.

Cornell Hospitality Tools, No. 7

Sherwyn

You (Don't) Look Marvelous:

Considerations for Employers Regulating Employee Appearance

by G. Roger King, Jeffrey D. Winchester, and David Sherwyn

Although some workers might argue that employer-mandated dress and appearance codes are somehow a violation of their rights, that is generally not the case under federal law. While state and local laws may limit an employer's ability to regulate employees' appearance and dress, federal courts are concerned with discrimination only on the basis prescribed in federal law, namely, gender, age, race or national origin, color, religion, and disability. Particularly when a dress and appearance code is necessary for an employer's business, it is likely to be upheld by courts and arbitrators, provided it does not discriminate on any of those seven characteristics. However, the penumbra extending from those protections has expanded in recent years. Differential requirements for men and women have been upheld only when the requirement does not fall disproportionately on one gender. Moreover, gender stereotyping has been ruled illegal by the Supreme Court. Courts have also issued diverse holdings on religious practices relating to appearance.

Mandatory Arbitration:

Why Alternative Dispute Resolution May Be the Most Equitable Way to Resolve Discrimination Claims

by David Sherwyn

The number of employers that require employees to agree to mandatory arbitration of disputes as a condition of employment has increased in recent years. One particular motivating factor is an increase in the volume of discrimination claims, which has accompanied the expansion of the employee classes protected by state and federal anti-discrimination statutes. The employers' goals in requiring arbitration are to avoid the expense and time involved in litigation, as well as the specter of unreasonable jury awards. More cynically, critics of mandatory arbitration suggest that another reason that employers favor arbitration is the perception that arbitration works to the disadvantage of employees.

Part of the difficulty in establishing whether one party or the other benefits more from litigation or arbitration is the inherent differences in the cases that reach one forum or the other. An analysis finds no support for the idea that arbitration necessarily favors employers. Indeed, the cost of litigation makes it unlikely that an employee with a legitimate, though small value claim would even be heard in court. Instead, contingent-fee attorneys would tend to stay away from a small claim, while state and federal agencies, notably the federal Equal Employment Opportunity Corporation, have a bias toward settling claims, regardless of the equity of that settlement.

Considering that the best resolution is one that both parties achieve freely on their own, both litigation and arbitration represent a type of systemic failure. Current research has found that arbitration is faster in achieving a resolution than is litigation. There is no way to establish whether payments or damages are higher in litigation than in arbitration, and research has failed to show a bias toward either employees or employers in arbitration. Indeed, establishing bias begs the fundamental question, which is whether a system that favors one side, employees, for instance, is actually more fair than a system in which either side could prevail. Ideally, the system should provide damages for employees who actually have been hurt by discrimination, while at the same time it should provide speedy exoneration for employers who have been unfairly tarred by accusations of discrimination. The present system does neither.

A case study of a large employer depicts the favorable effects of a program of alternative dispute resolution. Employment at the company in question grew substantially during the study period and the number of contacts to its dispute resolution program likewise expanded. However the percentage of those claims that required outside resources (either mediation or arbitration) was under 10 percent, compared to some 26 percent of claims through the federal Equal Employment Opportunity Commission that end up in court. Likewise the number of days to resolution for Employer 1 was tiny compared to the average 373 for EEOC, and claims paid by "Employer 1" averaged one-third of the EEOC average.

Cornell Hospitality Report, Volume 6, No. 9

David Sherwyn

The Hotel Industry's Summer of 2006:

A Watershed Moment for America's Labor Unions?

by David Sherwyn and Zev J. Eigen

A bold gambit by the newly merged union representing hotel workers and garment workers, UNITE HERE, aimed at expanding the union's ability to organize workers without the necessity of a secret-ballot election. Union leaders arranged for their contracts in several cities to expire simultaneously during summer 2006. With contracts open in several locations, the union hoped to pressure chain operators to expand the locations where it could gain neutrality agreements for organizing. With a neutrality agreement, management allows union access to its employees and pledges not to oppose the union's organizing efforts. Such agreements usually include a clause by which the union becomes employees' representatives once a majority of workers sign a card saying that they favor union representation. No further voting is necessary. A so-called card-check arrangement such as this saves the union the trouble and expense of an election campaign. During summer 2006, the hotel chains agreed partially to the union's neutrality proposals, in exchange for labor peace in the chains' major markets, but the union was not able to extend neutrality agreements as far as it might have liked.

Cornell Hotel and Restaurant Administration Quarterly, Volume 47, No. 4

Retaliation:

The Fastest-Growing Discrimination Claim

by David Sherwyn, Zev Eigen, and Gregg Gilman

Retaliation claims constitute the fastest-growing area of discrimination law, in part because an employee can tack on a claim of retaliation in conjunction with a complaint based on another area of discrimination law. Retaliation occurs when an employer terminates, demotes, or makes another negative employment decision regarding an employee who has made a complaint. Even if the main discrimination complaint is dismissed out of hand, the retaliation claim can continue on its own merits. If an employee otherwise would be terminated or demoted, employers should not avoid dealing with that person merely because a retaliation claim has been filed. That said, the employer may need to let some time elapse between a complaint and a personnel action. In any event, the employer must have appropriate documentation to support its action and treat that employee exactly as it would any other employee with a similar performance record.

Cornell Hotel and Restaurant Administration Quarterly, Volume 47, No. 4

Siguaw

Competitive Destination Planning: The Case of Costa Rica

by Zhaoping Liu, Sara Lo, Paula Vasconcellos, Judy A. Siguaw, and Cathy A. Enz

Travelers' attitudes and activities provide a strong indication of the status of a particular destination with regard to whether it is still being discovered or whether it is headed for decline. Using Stanley Plog's long-established continuum of travelers' psychographic types as matched to their preferred destinations, this study examines travelers' habits and attitudes, using a sample of U.S. tourists to Costa Rica. An analysis of that information provides inferences about Costa Rica's status on the continuum of tourism destinations.

Although the respondent pool is relatively small and is self-selected, the results suggest that Costa Rica may be losing some of its cachet as a relatively unknown destination for venturesome travelers (known as Venturers, in Plog's continuum). Instead, the results give strong indication that development in Costa Rica has reached the point that the nation appeals to the broad mid-market of travelers, whom Plog dubs Mid-Centrics. While destination planners may at first applaud the increased arrival numbers of the Mid-Centrics, it soon becomes apparent that they spend less than the intrepid Venturer-type visitors, and their presence encourages the kind of rampant development that leads to a destination's decline. Rather than permit such development, Costa Rica's planners may consider ways to retain the patronage of Venturer-type travelers. The findings of this study have implications for other tourist destinations.

Enz

Cornell Hospitality Report, Volume 6, No. 12

A New Method for Measuring Housekeeping Performance Consistency

Sturman

by Michael C. Sturman

While the importance of housekeepers' task performance (i.e., cleaning) is undeniable, little research has been devoted to developing metrics to evaluate housekeepers' performance. This CHR report describes a pilot study implementing a metric of the overall consistency of housekeeping performance at three hotels, based on cleaning supplies used. Such an approach allows managers to evaluate the consistency of performance within the housekeeping function.

Initial results show that the metric has the sensitivity to discover performance inconsistencies, suggesting the need for housekeeper training in certain circumstances. Those interested in using this approach are invited to download a research-data collection kit, and send the data to the author of this report.

To participate and receive a personal analysis, register with the Center for Hospitality Research and then download the research kit from the CHR website using the following URL: http://hotelschool.cornell.edu/chr/research/surveys/hotelcleaning.html.

Each participant will receive a brief report on the consistency of their housekeeping function and a benchmark report describing their performance consistency relative to other hotels providing the same level of service.

Cornell Hospitality Report, Volume 6, No. 11

Michael Sturman

Using Your Pay System to Improve Employees' Performance:

How You Pay Makes a Difference

by Michael C. Sturman

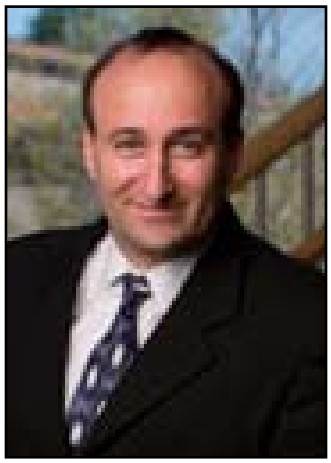
One goal of many pay plans is to improve employees' performance. This investigation of pay policy assesses the effects on performance of base-pay levels, merit increases, and lump-sum bonuses. The study shows that both "how much" is paid (the amount of the reward) and "how" the money is paid (the relationship that exists between performance and pay) influence employees' future performance levels. As expected, the results show that how much you pay is important. Both raises and bonuses increase future performance, but merit raises had a greater effect than that of bonuses. In this study, the benefit of a 1-percent increase in base pay was comparable to the benefit from a 3-percent bonus. Even though the absolute level of one's salary was not related to future performance, relative pay levels made a considerable difference. Perhaps most important, the study also showed that how an employee is paid can also influence performance. For merit raises, the link between pay and performance was unrelated to future performance. However, the extent of the pay-for-performance relationship with bonuses was significantly related to future performance—provided the link between pay and performance is clearly established.

Based on these findings, pay structure can be designed to achieve greater employee performance. To begin with, simply spending more on employee pay would yield minimal results. Improving the merit-increase pool by one percentage point but otherwise not making any allocation changes, for example, would be projected to increase performance only by roughly 2 percent. However, if the same money was applied to pay-for-performance bonuses, the analysis suggests a performance increase of better than 15 percent. Indeed, the results suggest that providing a strong pay-for-performance link for bonuses rather than raises had the greatest potential benefit, predicted to improve employee performance by nearly 20 percent.

Cornell Hospitality Report, Volume 6, No. 13

An Examination of Guest Complaints and Complaint Communication Channels:

The Medium Does Matter!



Susskind

by Alex M. Susskind

In this study guests of casual-dining restaurants were asked to report on their preferred method of complaining about service failures they experienced while dining. Guests who reported higher levels of frustration, a higher propensity to complain, and greater information inadequacy generally preferred to complain face-to face to a manager or via a letter written to management. This finding diverges from the expectations created by communication theory, which suggests that face-to-face communication is "richer" than written approaches. Moreover, this study found that complaints lodged face-to-face to nonmanagerial service employees were viewed similarly to complaining via a comment card—a less-rich mode of communication.

Cornell Hospitality Report, Volume 6, No. 14

Tracey

The Costs of Employee Turnover:

When the Devil Is in the Details

by J. Bruce Tracey and Timothy R. Hinkin

Employee turnover continues to be a concern for many hospitality firms. To gain insights about the relative costs of different aspects of turnover, we first compared the costs of turnover for different hotel types. Based on data gathered from 33 U.S. hotels, we found that the costs of turnover were generally higher for: **(1)** higher complexity jobs; **(2)** independent properties; **(3)** properties with relatively high room rates; **(4)** large properties; **(5)** high-occupancy properties; **(6)** properties in markets with a high cost-of-living index; and **(7)** properties in markets with a high unemployment rate. We also examined the relative effects of actions taken to replace departing staff, and found that the damage to productivity caused by the inexperience of new employees is the greatest contributor to the overall costs of turnover.

Hinkin

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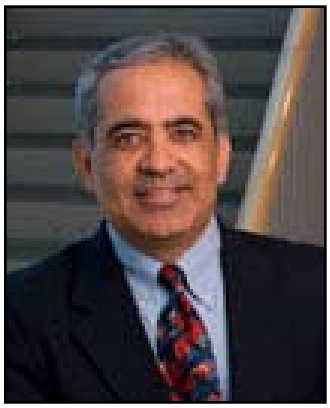
Safeguarding Your Customers:

The Guest's View of Hotel Security

Verma

by Julie Feickert, Rohit Verma, Gerhard Plaschka, and Chekitan S. Dev

Hotel guests might be willing to pay as much as a 10-percent room-rate surcharge to support desired security features. A survey of 930 guests taken in 2002 examined their acceptance and willingness to pay for six security features at hotels. The features are installing security cameras, examining guests' photo IDs on check-in, installing first-aid kits in guest rooms, using metal detectors, conducting police background checks of guests, and hiring uniformed security guards. Three of the practices, security cameras, checking IDs, and first-aid kits, were well supported by the respondents, but the survey also found at worst a neutral stance to background checks and metal detectors. The respondents were not keen on security guards. Study participants under 40 were more likely to support all six security features, as were women and leisure travelers. Moreover, leisure travelers were more likely to be willing to pay for the added security. On the other hand, frequent travelers were least supportive of added security features, in particular, those who took 11 or more trips per year.



Dev

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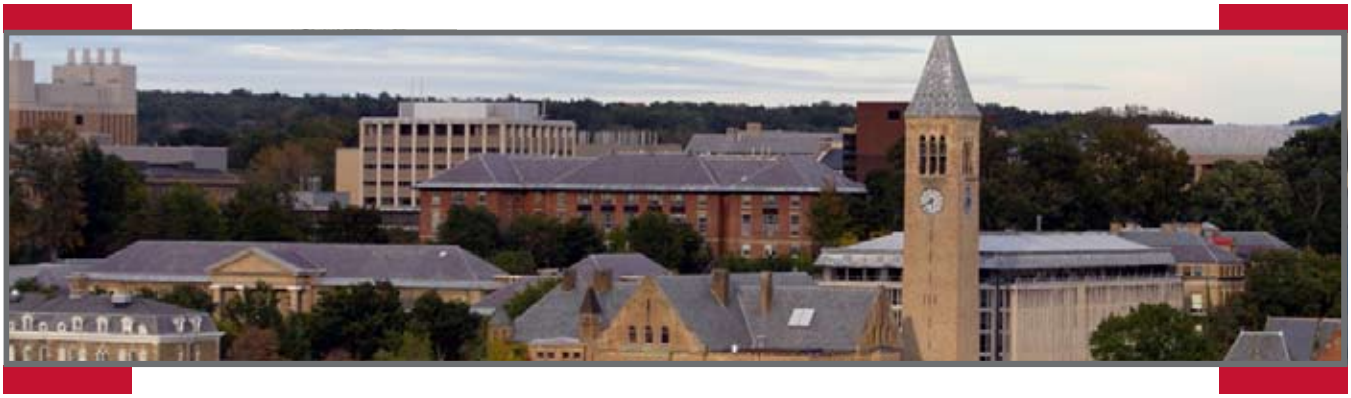

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